



YOTAI REFRACTORIES CO.,LTD

FY2020 (2019/4-2020/3) Financial Results

YOTAI REFRACTORIES CO., LTD.

May 28, 2020



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Corporate Profile

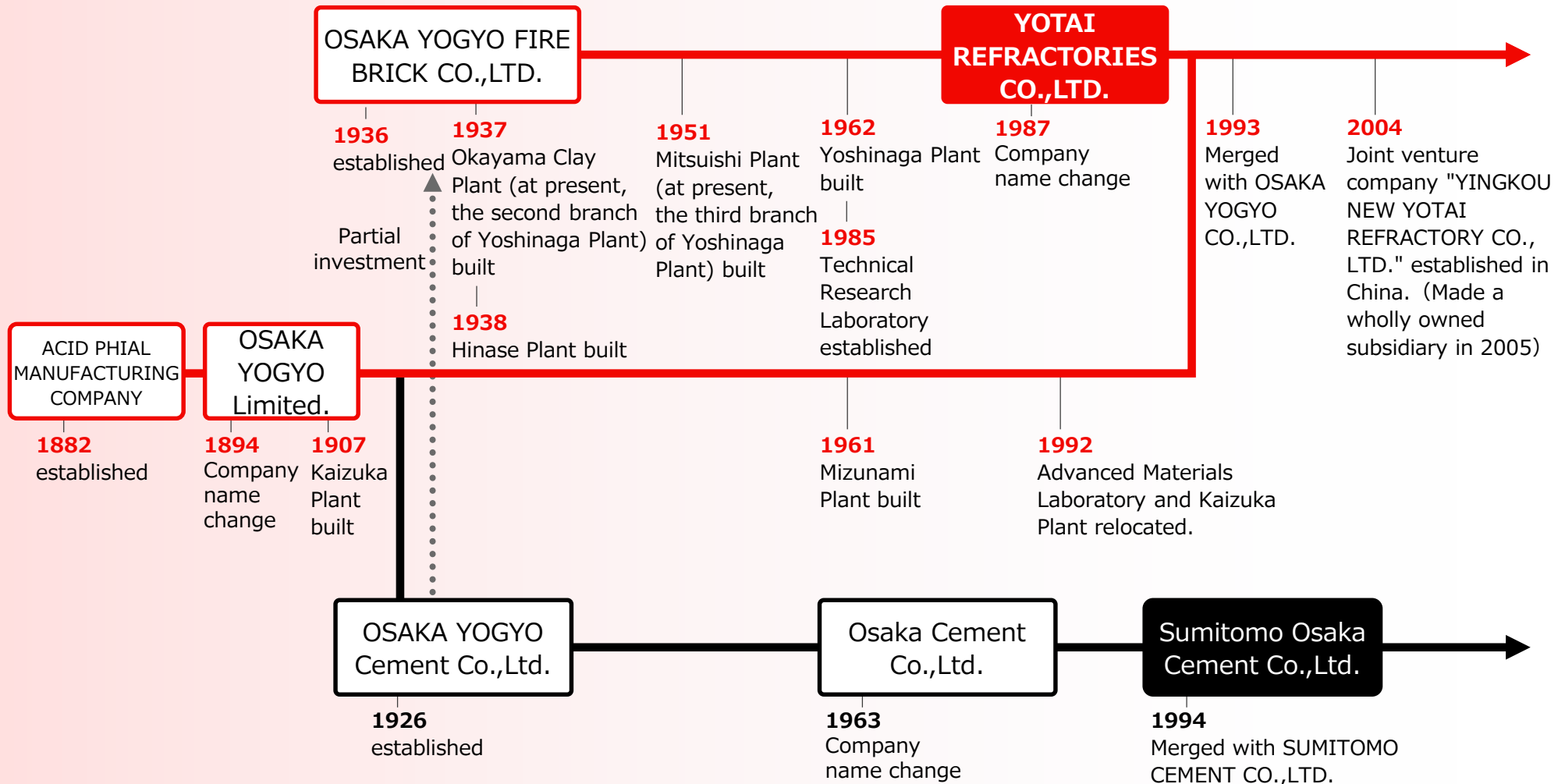


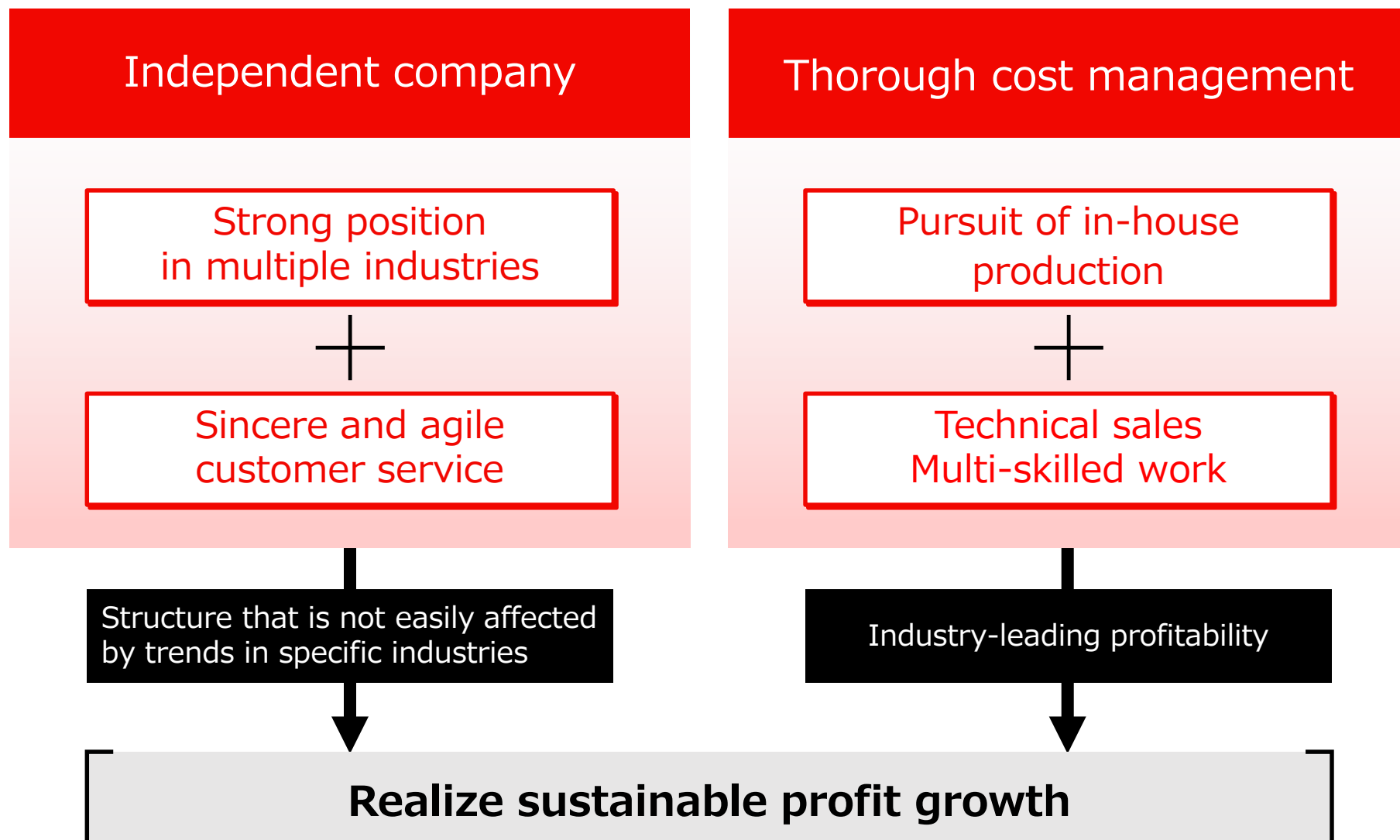
Create the future with our refractories

■ Trade Name	YOTAI REFRACTORIES CO., LTD.
■ Established	August, 1936
■ Head Office	8-1, NISHIKINAKA-MACHI, KAIZUKA-CITY, OSAKA, 597-0093, JAPAN
■ Number of Employees	566 (as of March 31, 2020)
■ Common Stock	2,654 million yen (as of March 31, 2020)
■ Our Business	Production and sales of refractories and new ceramics as well as related engineering business
■ Philosophy	The Yotai Group aims to be a faithful company that creates new technologies and products in response to the demands of revolutionary times, enhances customer satisfaction, and contributes to society and using our unique technology and passing on the history and experience in long-standing refractory manufacturing technologies to the next generation.

History

2021 is the 85th anniversary of the establishment.

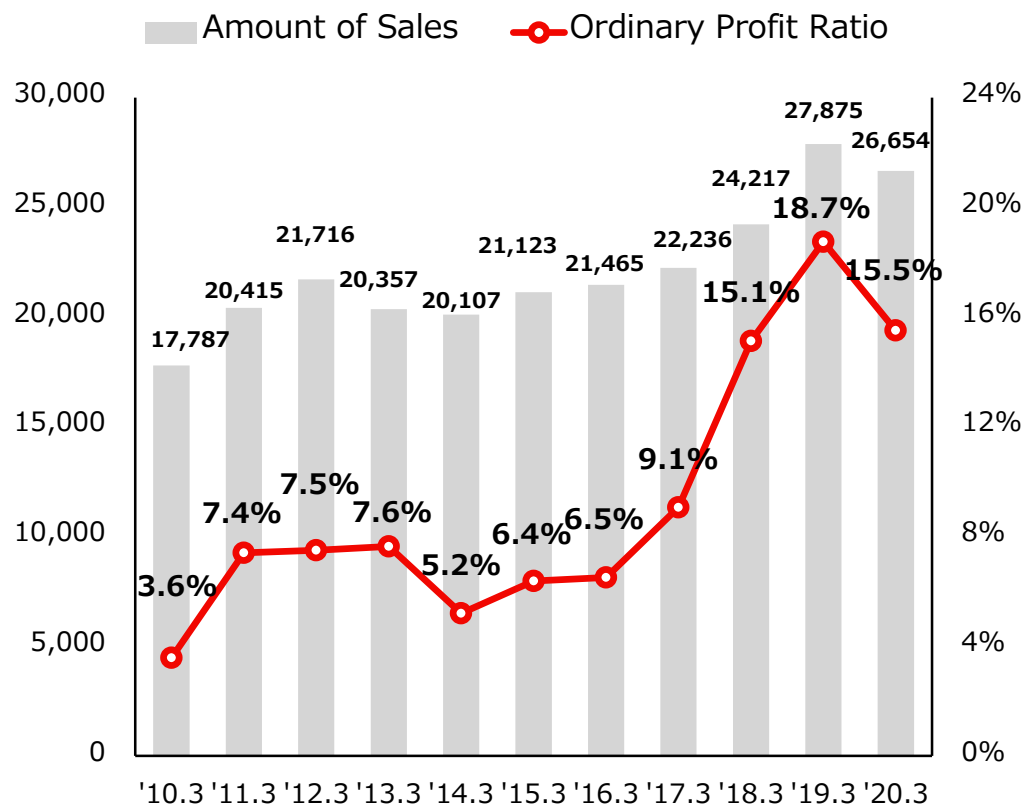




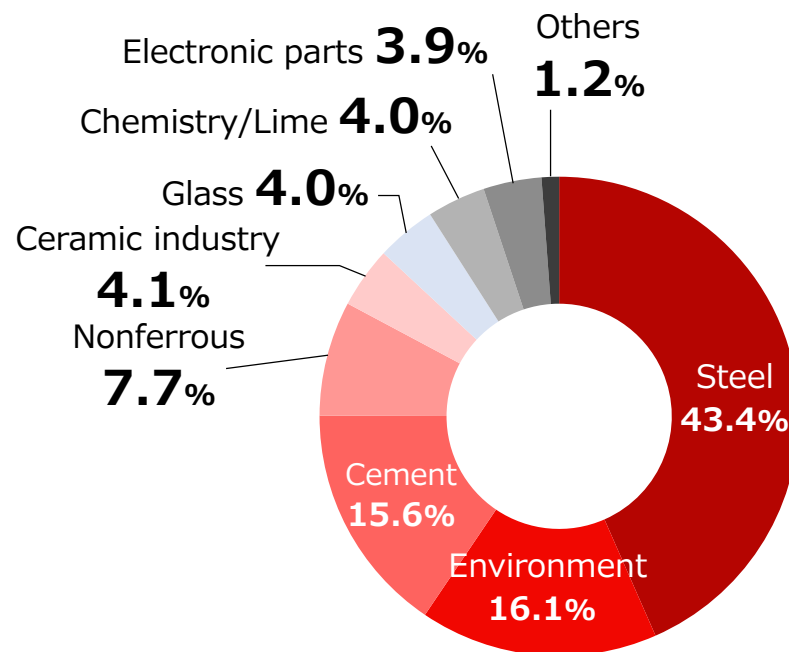
Sustainable growth unaffected by recession in specific industries

■ Trend of Sales and Ordinary Profit Ratio [Consolidated]

(millions of yen)



■ Sales Results by industry for FY2020 (amount ratio) [non-consolidated]

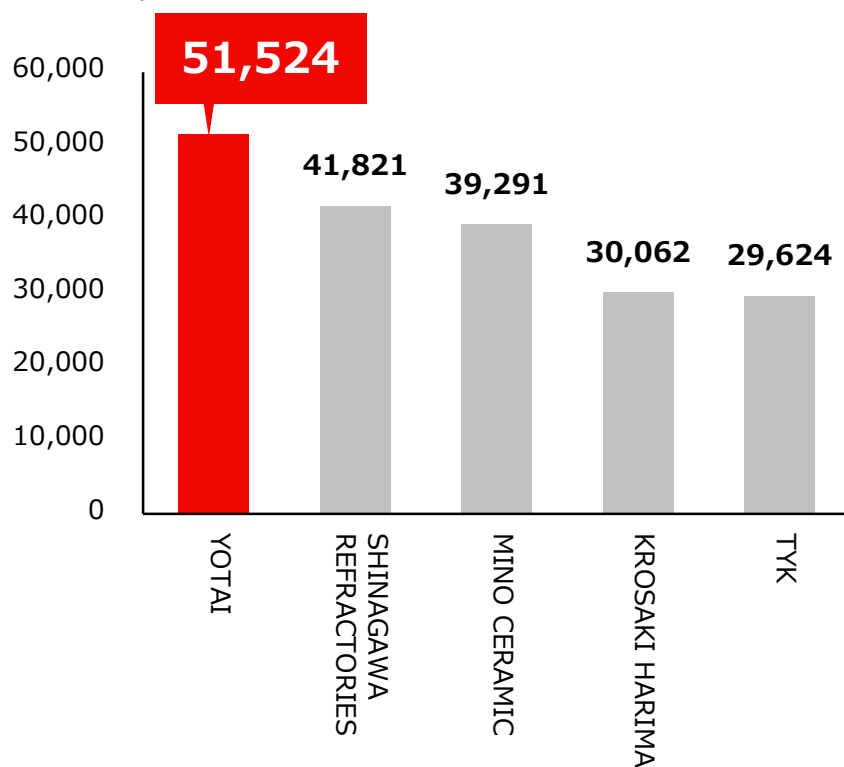


High Profitability

Maintained an overwhelming industry top in sales and ordinary profit per capita.

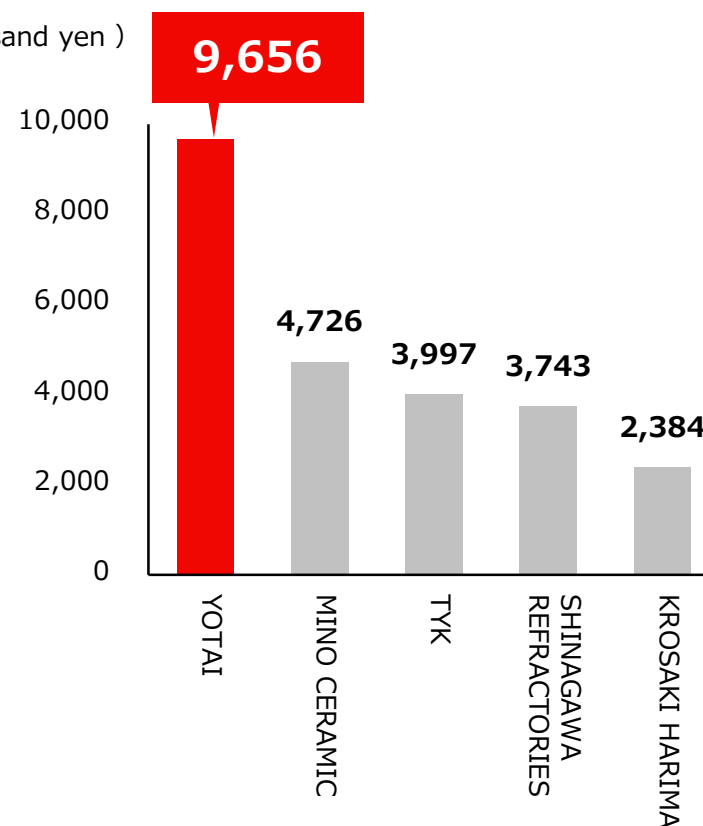
■ Amount of Sales per capita (FY2019)

(Thousand yen)



■ Ordinary Profit per capita (FY2019)

(Thousand yen)



出典：各社有価証券報告書を元に作成



Gain high market share in many industries.

Refractory bricks

Refractory bricks production
No. 1 of domestic market

20.8%[※] **No.1**

Always respond flexibly and quickly to
customer needs

*Production weight for FY 2019



Steel

Refractories for electric furnace
manufacturers

Shipping weight ratio [※]

70%

Maintain stable sales
for electric furnace manufacturers

*2015-2019 (Average)

Cement

Spinel bricks for cement
manufacturers

Domestic share

48.3%[※] **No.1**

Proposal with more than 20 qualities
according to customer's usage conditions

*Production weight for FY 2019

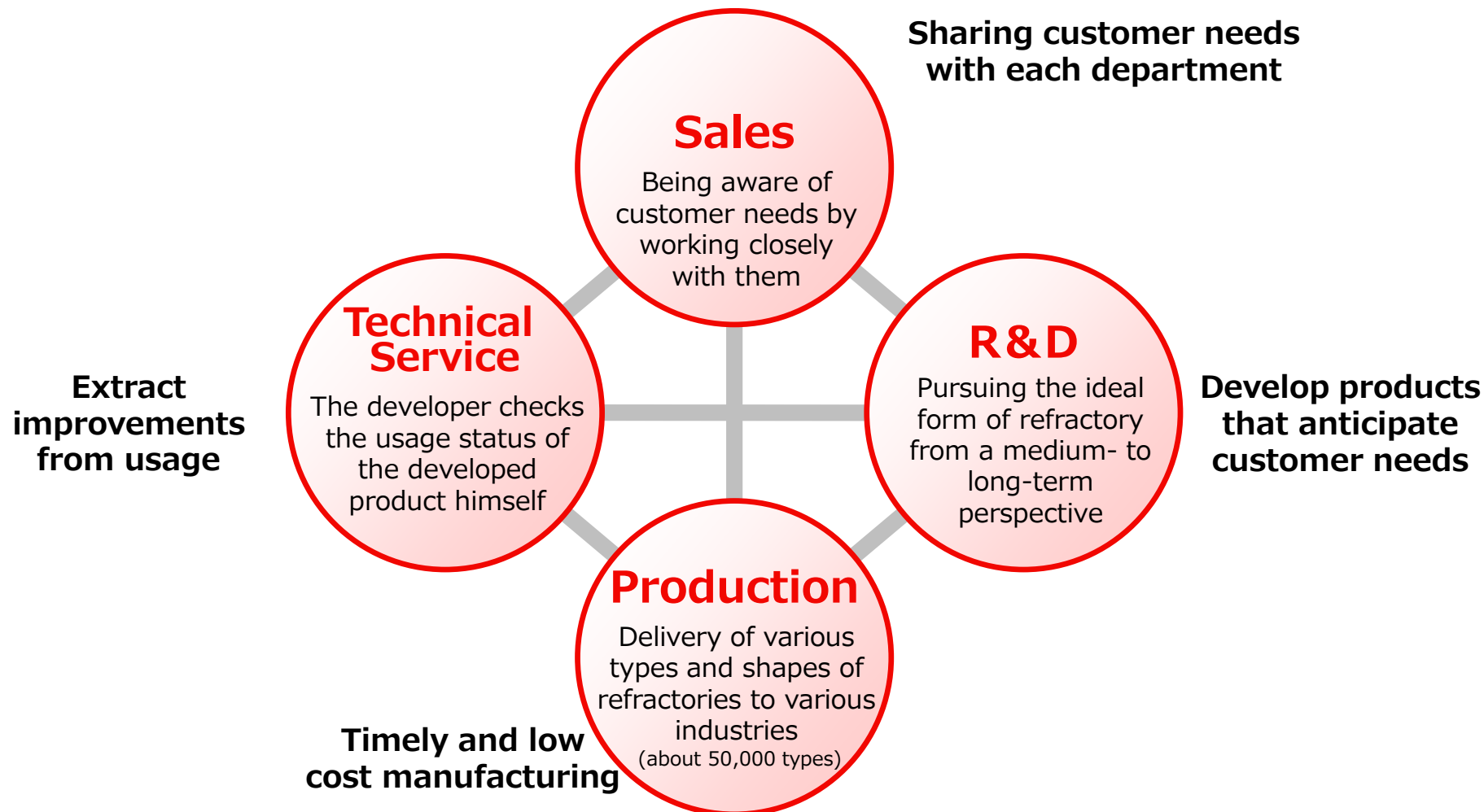
Environment

Achievements in refractories for
environmental equipment

30 years over

Develop and provide products suitable
for use conditions with know-how
cultivated as a pioneer

「Sales」 「R&D」 「Production」 「Technical Service」 will provide value together.



Positively expanding sales to blast furnace manufacturers based on technology developed for electric furnace manufacturers.

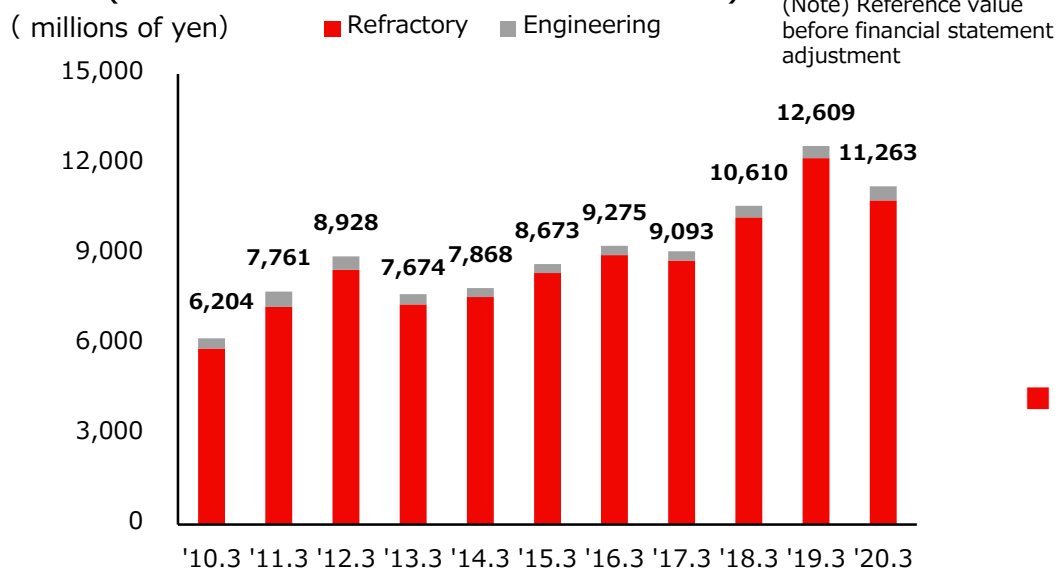
Selling refractory products mainly to electric furnace manufacturers.

→ Different from other major refractory manufacturers, we do not have a blast furnace manufacturer in our parent company.

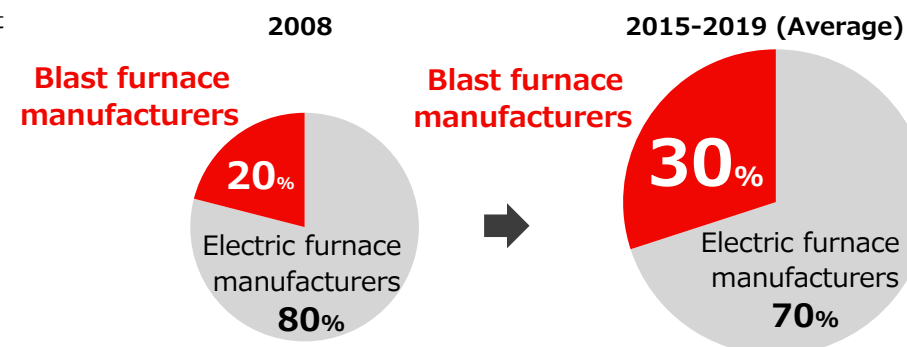
Currently, we are aggressively expanding sales to blast furnace manufacturers based on the technology developed for electric furnace manufacturers.

→ Our strength is in close communication with customers and refractory proposals that match usage conditions.

■ Amount of sales for steel manufacturers (electric furnace and blast furnace)



■ Shipping weight ratio for steel manufacturers (electric furnace and blast furnace)



■ Refractory of blast furnace manufacturers (Reflux Pipe)



Strengths for Cement Manufacturers

Keep an overwhelming domestic market share with spinel bricks for cement manufacturers.

Know-how over many years regarding bricks for cement manufacturers

→ **Supplying refractories for over half a century**

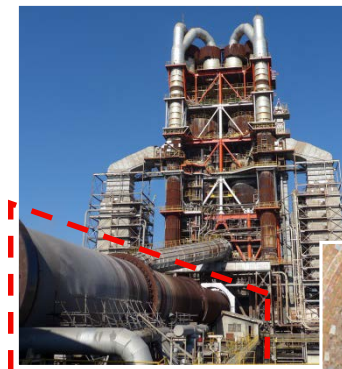
Proposal of refractories matching to customer's usage conditions

→ **Selling over 20 brands**

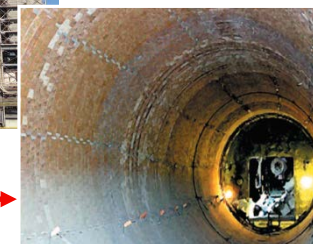
Supplying stable quality refractory

→ **Manufactured on a consistently controlled line from crushing of raw materials to inspection**

■ **Cement manufacture equipment**



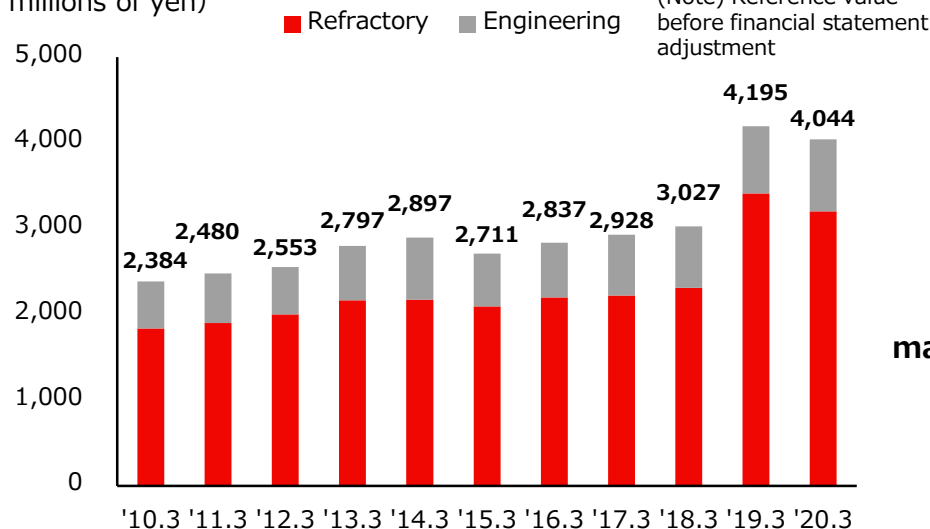
※ Photo by Sumitomo Osaka Cement Co., Ltd.



Inside cement rotary kiln

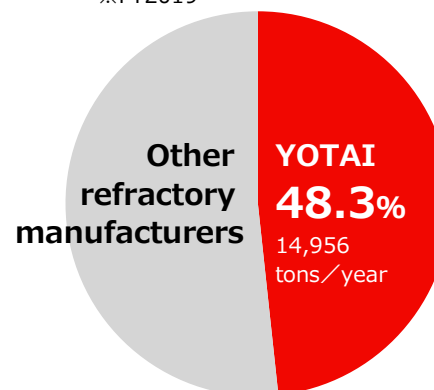
■ **Amount of sales for cement manufacturers**

(millions of yen)



■ **Domestic share of bricks for cement manufacturers (production weight)※**

※FY2019



■ **Spinel bricks for cement manufacturers**

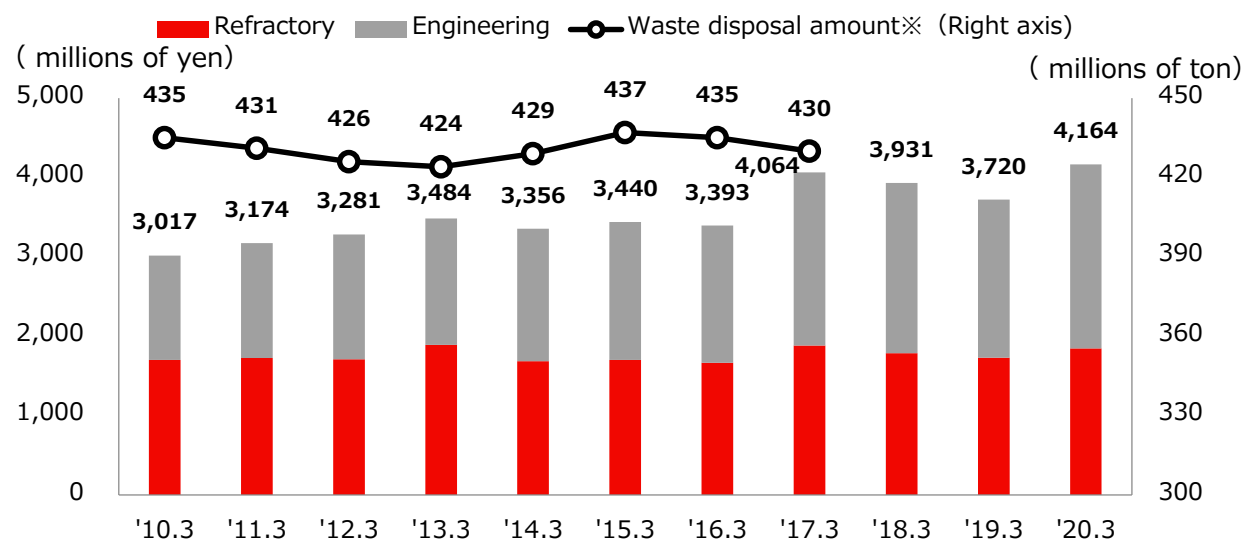


Strengths for Environmental Equipment

Contribute to society by rapidly developing products suitable for usage conditions with to utilize strength of leading company.

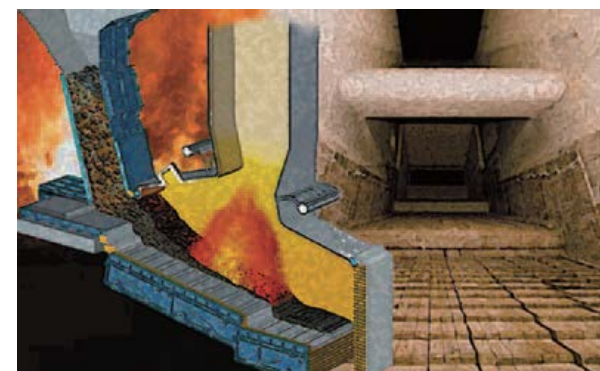
■ Amount of sales for environmental equipment/ Waste disposal amount

(Note) Reference value
before financial statement
adjustment



※ Source : Website of the environment ministry (Announced on January 23, 2020)

■ Stalker incinerator



Environmental Equipment :
Waste treatment furnaces such as
incinerators, melting furnaces and biomass
boilers

Adaptation to environmental changes by package order of refractories + construction

- Sales of refractories for environmental equipment increased due to construction of furnaces damaged by processing disaster waste and orders for materials used for them.
- Support a wide range of issues, such as a decrease in processing volume and disasters.

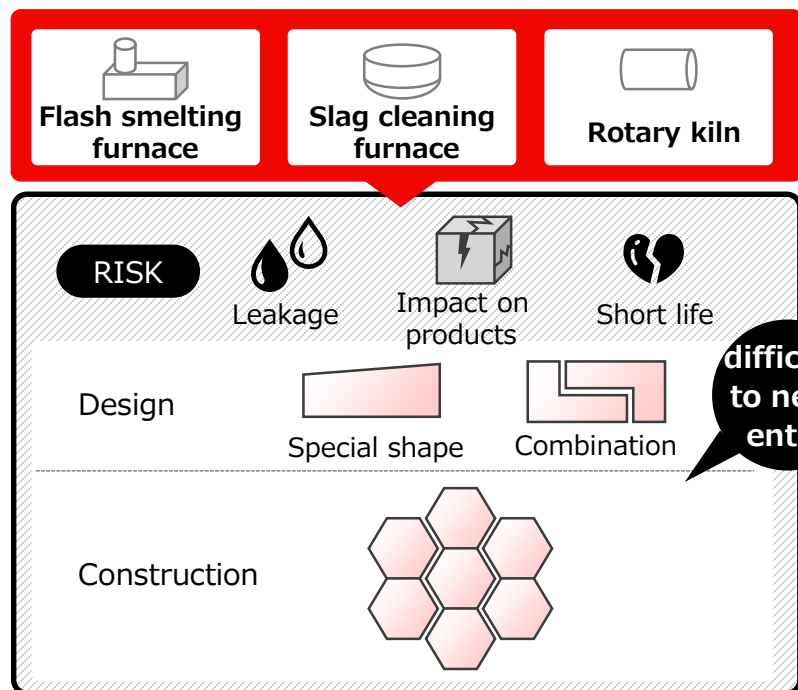
Responding to changes in waste quality

- The waste quality varies widely by region, season, and source.
- The damage of the refractory that treats such waste varies greatly depending on the operating conditions of furnace.
- We have about 200 types of refractories for environmental equipment. Corresponding to a wide range of usage conditions, it has been highly evaluated by many customers.

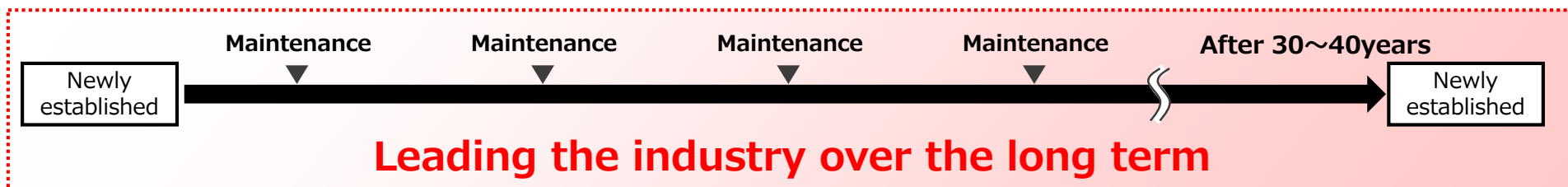
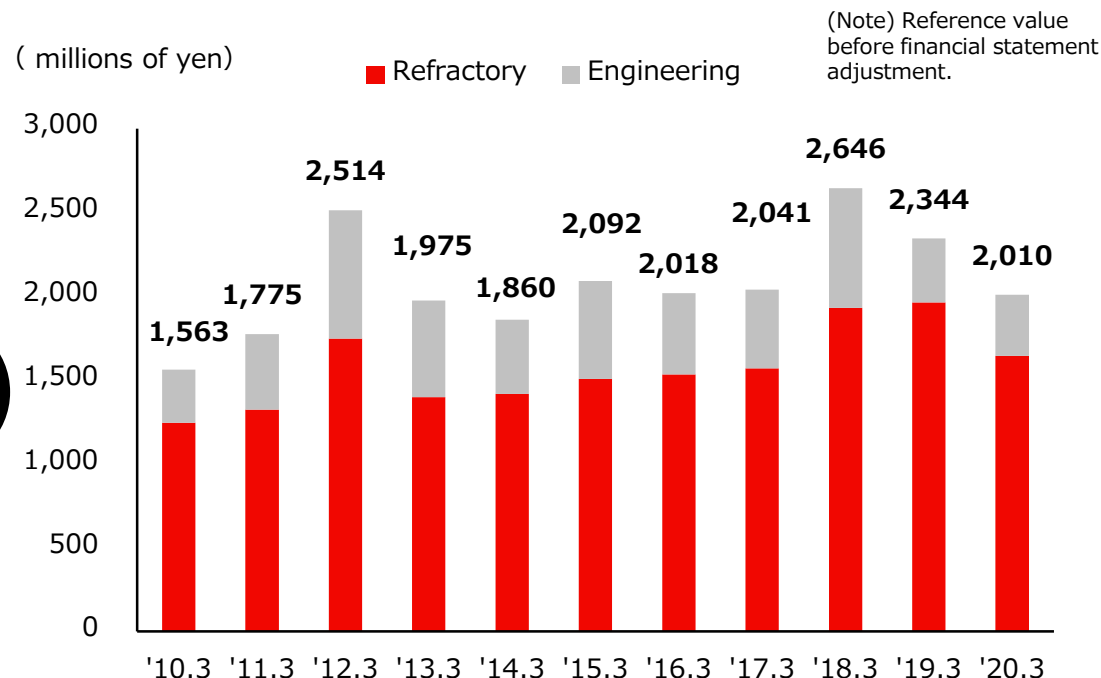
Strengths for Nonferrous Manufacturers

Leading the industry over the long term with strength of responsiveness for various furnaces.

■ Responsiveness for various furnaces



■ Amount of sales for nonferrous manufacturers



Supplying high-quality refractories for a wide range of applications.

- Manufactured in a strictly controlled manufacturing process using high-purity raw materials.
- Sales achievements in various fields.
- Quickly and accurately respond to customer demands.

■ Sales field

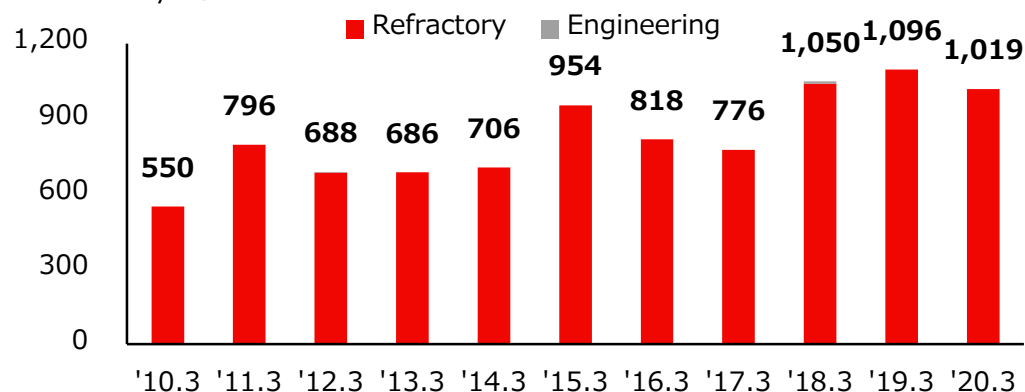
- Alumina substrate
- Ferrite
- Ceramic raw material
- Spark plug
- Fine ceramics
- MLCC
- SOFC
- Sensor
- Piezoelectric parts



etc.

■ Amount of sales for electronic parts manufacturers

(millions of yen)



(Note) Reference value before financial statement adjustment.

Expanding demand for electronic components by 5G, IoT and electrification of cars.

Expectations of expanding demand for electronic components refractories !

Introducing robotization ahead of any other,
improving equipment quickly according to respond to technological
change.

Mixing and Kneading



Kneading crushed
raw materials at
the required timing.
Automatic supply
to equipment.

Forming



Unmanned
automatic
molding.

Firing



Automate kill-in,
kill-out of
products and
automatic
temperature
control.

Machining



Equipped with NC
machine,
programming
complex
processing.

Inspection · Attach accessories



Automate
accessory
attachment and
pallet loading.

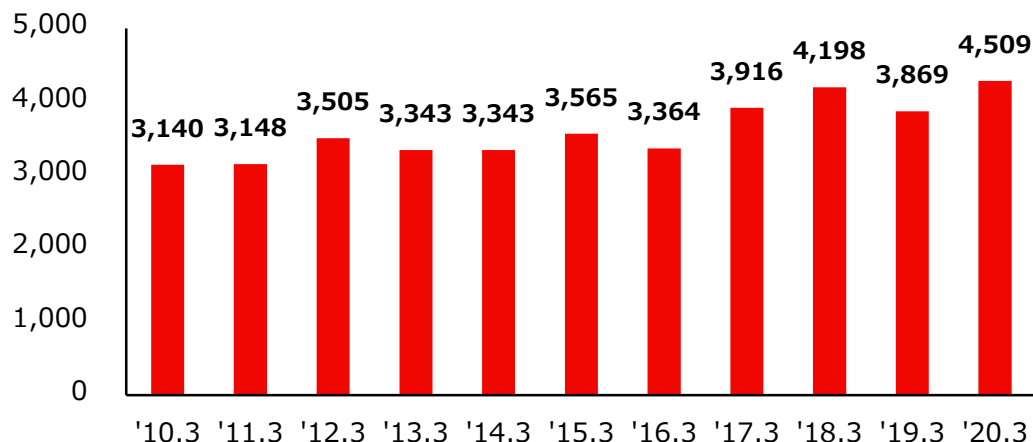
Strengths for Engineering Division

Manufacturing departments and R&D work together to introduce new technologies and promote in-house development of equipment.

■ Amount of sales for engineering division

(millions of yen)

(Note) Reference value
before financial statement
adjustment.



Responding to customer requests by making full use of the abundant achievements of more than half a century and the Engineering technology cultivated.

■ Original technology of YOTAI

Making full use of new technology and in-house developed equipment, resolving problems and responding to customer needs.



MS-GUN

Construction of P-RAP can be done with a simple spraying machine, which can improve work efficiency, reduce construction costs, and reduce the burden on workers.



K3 System

A new construction method using a quick-setting agent for non-deleterious substances. Since no deleterious substances are used, the safety of plants and construction sites is improved, and storage management becomes easier.

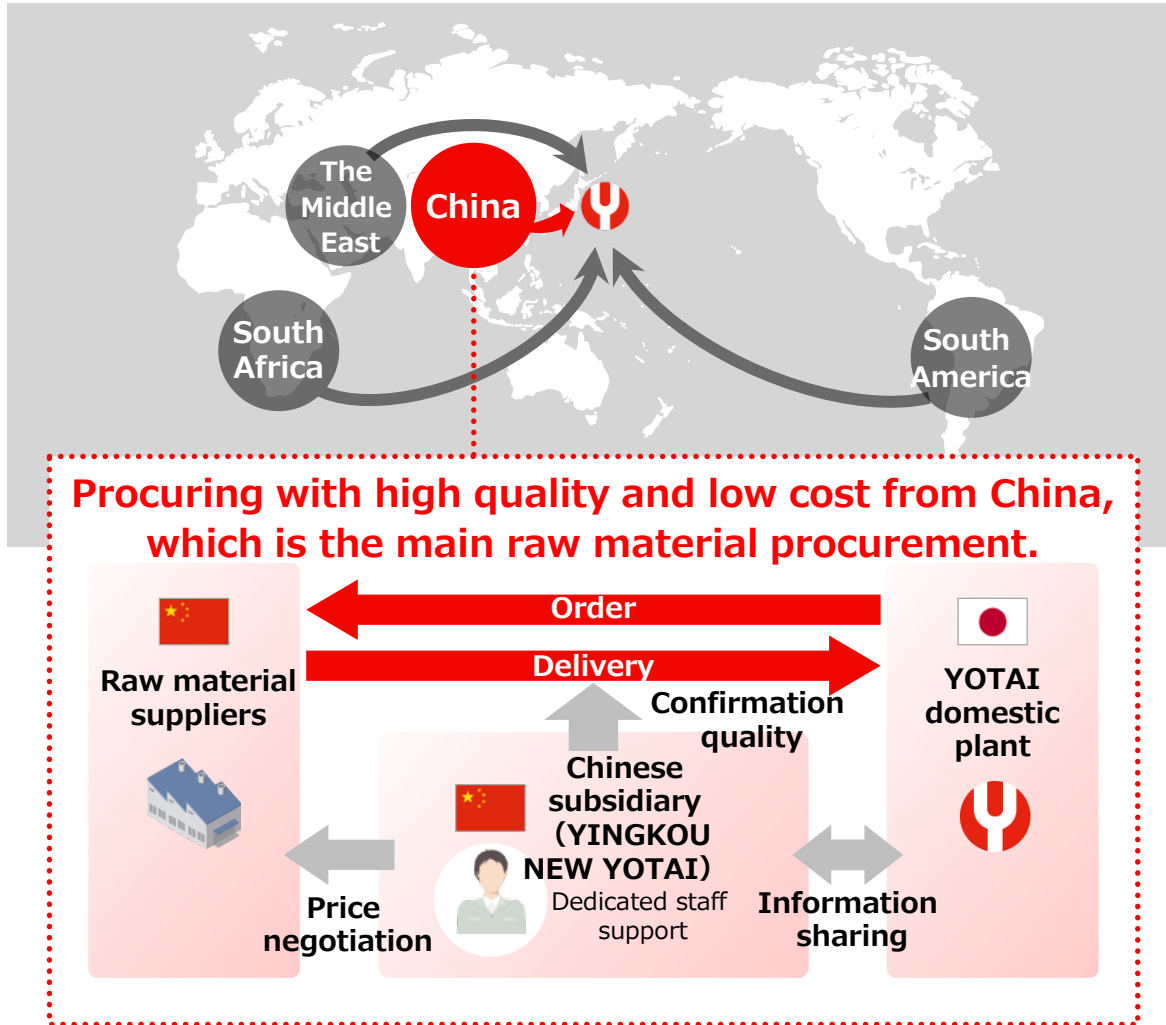


CAP System

The features of the low-cement castables for pouring can be maximized, contributing to shortening the construction period and saving labor. Kneading and pressure feeding system. Suitable for large-scale construction.

Diversification of Raw Material Suppliers

Risk diversification by securing diverse procurement routes, mainly in China.



Two methods of procurement

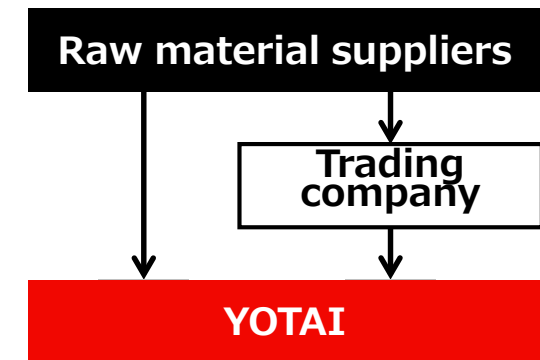
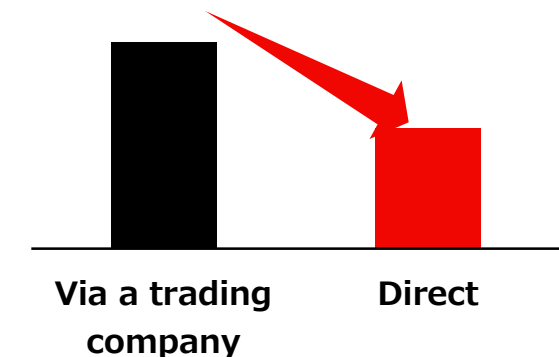


Image of procurement cost



FY2020 Financial Results

【Consolidated】



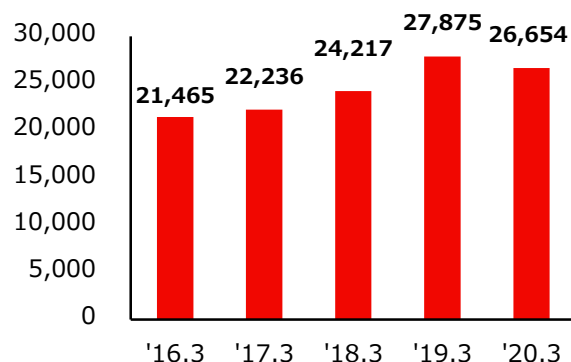
Consolidated Income Statement

- Net sales decreased by 4.4% year-on-year, due mainly to decreased production in steel industry of our main customer and delay in recovery of electronic components industry.
- Ordinary profit decreased by 20.9% year-on-year, due mainly to raw material prices remained at high levels and reduced production efficiency due to reduced production volume.
- In the engineering division, net sales increased by 12.6% year-on-year due to an increase in new projects for environmental equipment and steady construction progress, and segment profit decreased by 6.8% due to higher labor costs and profit pressure on new projects.

	FY 2019	FY 2020	Change		(millions of yen)
Net Sales	27,875	26,654	▲1,220	▲4.4%	
Operating Profit (Operating Profit Margin)	5,134 (18.4%)	4,017 (15.1%)	▲1,116	▲21.7%	
Ordinary Profit (Ordinary Profit Margin)	5,224 (18.7%)	4,134 (15.5%)	▲1,090	▲20.9%	
Profit attributable to owners of parent (Net Profit Margin)	3,610 (13.0%)	2,794 (10.5%)	▲815	▲22.6%	

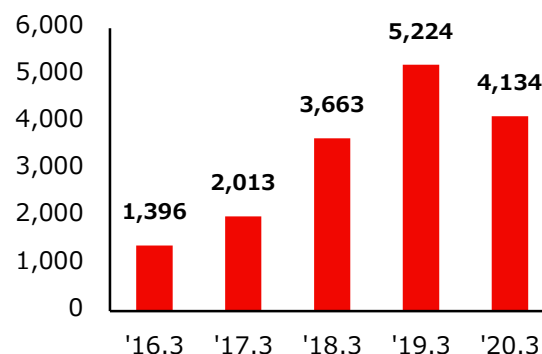
■ Net Sales

(millions of yen)



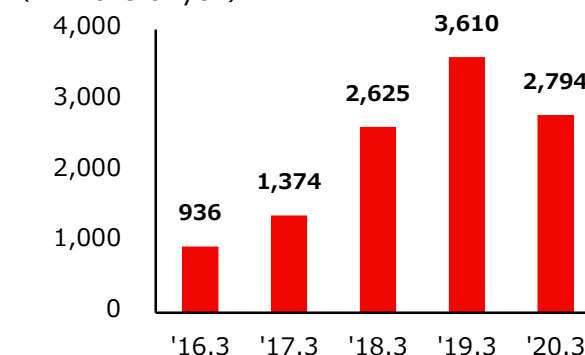
■ Ordinary Profit

(millions of yen)



■ Profit attributable to owners of parent

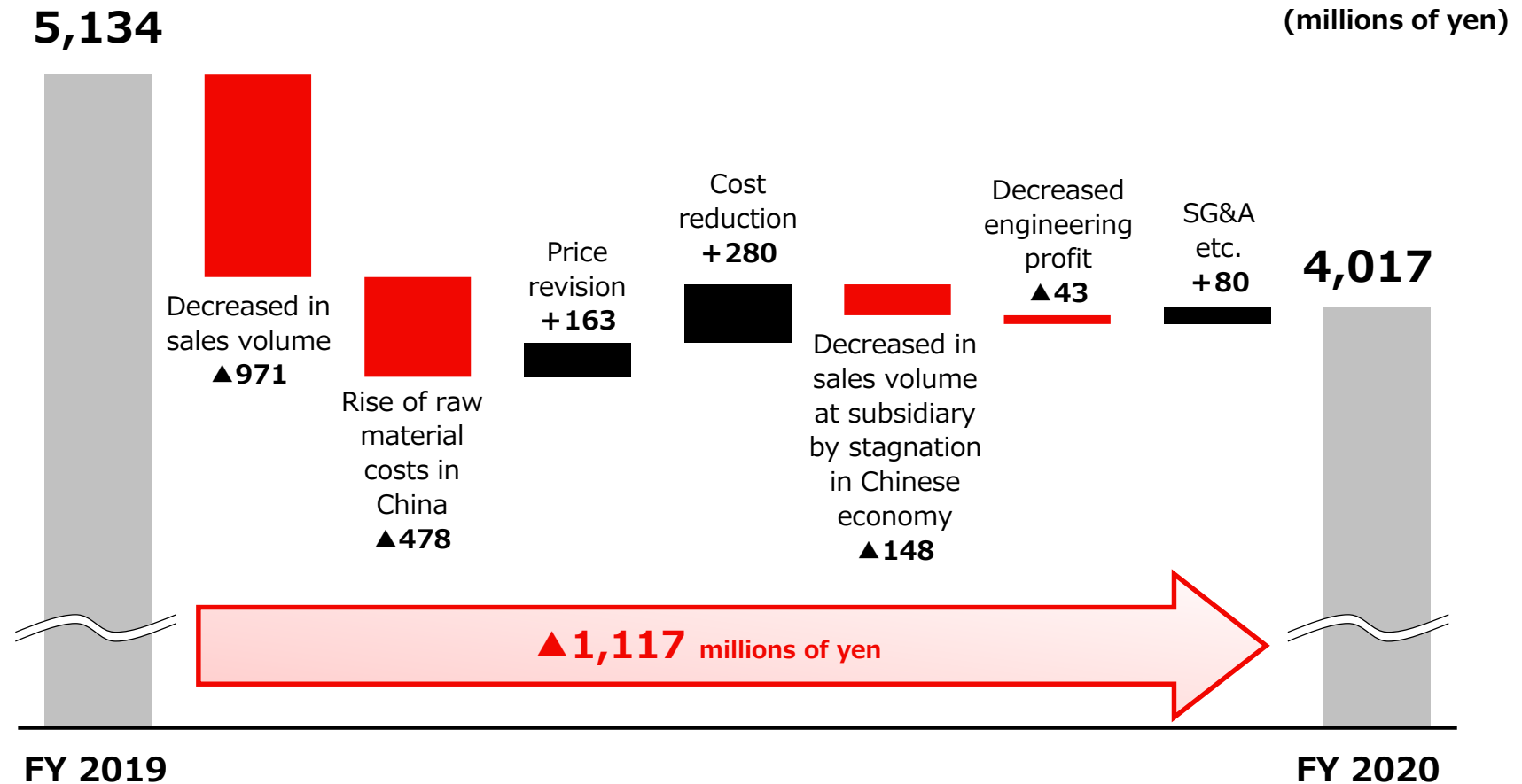
(millions of yen)



Change in Operating Profit 【Consolidated】



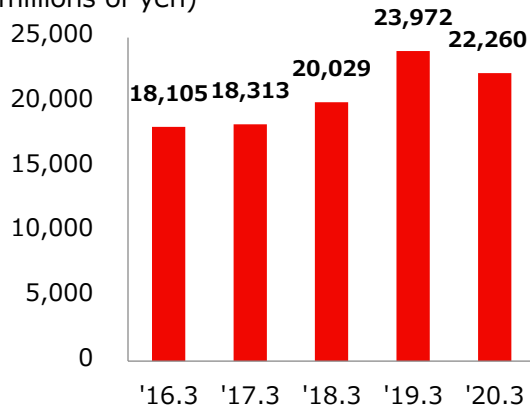
YOTAI REFRACTORIES CO.,LTD



Net sales decreased by 7.1% to 22,260 million, segment profit decreased by 18.3% to 4,787 million year-on-year.

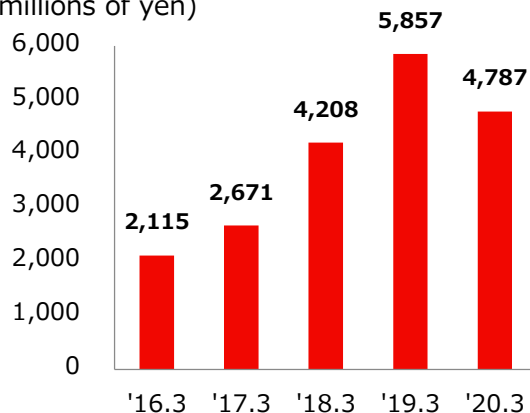
Net sales

(millions of yen)



Segment profit

(millions of yen)



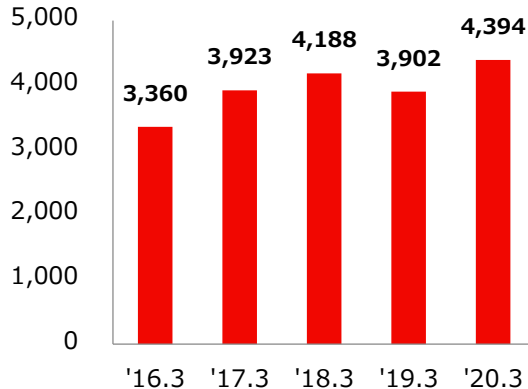
Specific efforts

- Revamping and new installation of press machines to improve quality and production efficiency.
- Addition of shuttle kiln to prepare for future orders.
- Production and sales of large-odd-shaped products used for special purposes and parts, and special quality.
- Development and sales of repairing materials linked to spray machines for small repairs.
- Expand sales of bend-resistant setter and warp correction setter to various fields.

Net sales increased by 12.6% to 4,394 million, segment profit decreased by 6.8% to 591 million from the same period last year.

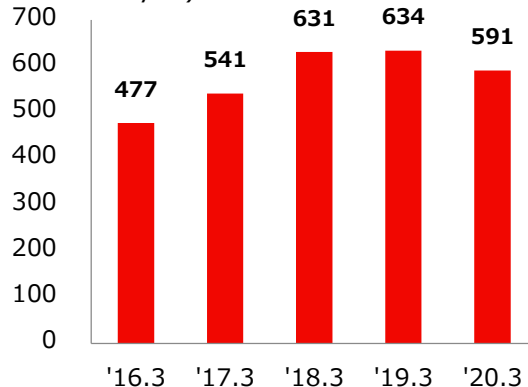
Net sales

(millions of yen)



Segment profit

(millions of yen)



Specific efforts

- Establish a design and construction organization focusing on the environment and recycling fields.
- Development of construction technology. (DMI method, mechanization, labor saving, etc.)
- Improve competitiveness by shortening construction time by using newly developed monolithic refractories.
- Participation in the environmental business (EPC) through materials and construction.
- Promote work style reforms to realize an attractive work environment where not only employees but also contractors work vigorously and the people who lead them develop.
- Gain customer trust with safety and high quality.

Consolidated Balance Sheet

(millions of yen)

	FY 2019	FY 2020	Change	Increase/Decrease Factors
Current assets	26,634	27,448	+814	Cash & Deposits +3,794 Receivables ▲1,472 Raw materials & Supplies ▲1,336
Fixed assets	7,552	6,994	▲557	Investment securities ▲563
Total assets	34,186	34,443	+257	
Current liabilities	7,641	5,875	▲1,766	Accounts payable ▲712 Accrued expenses ▲433 Income taxes payable ▲605
Fixed liabilities	1,440	1,334	▲105	Net defined benefit liability ▲101
Total liabilities	9,081	7,209	▲1,872	
Total net assets	25,104	27,234	+2,129	Retained earnings +2,421 Valuation difference on available-for-sale securities ▲351
Total liabilities & net assets	34,186	34,443	+257	
Equity Ratio	73.4%	79.1%	+5.7pts	
ROE (Return on Equity)	15.3%	10.7%	▲4.6pts	

Consolidated Statements of Cash Flows



(millions of yen)

	FY 2019	FY 2020	Increase/Decrease Factors
Cash flows from operating activities	3,048	5,413	Income before income taxes +4,066 Depreciation +860 Increase or decrease in working capital +2,224 Income taxes paid ▲1,842
Cash flows from investing activities	▲943	▲1,111	Purchase of property, plant and equipment ▲1,221
Cash flows from financing activities	▲317	▲398	Cash dividends paid ▲372
Effect of exchange rate change on cash and cash equivalents	▲18	▲8	
Change in cash and cash equivalents	1,769	3,894	
Cash & cash equivalents at end of the year	4,311	8,206	

The projects that we received will not be significantly affected, and we are normally operating, depending on stagnation of future economic activity, the demand for refractories are expected to decrease.

Sales

- There is no significant impact on the projects that have been ordered.
- Because the stagnation of economic activity, demand for refractories are expected to decrease both in domestic and overseas.

Production

- Domestic plants are operating and producing as usually.
- Chinese subsidiary is in operation and production without major confusion.
- Regarding the procurement of raw materials, although there was a delay in the delivery schedule in February to March, there is no major impact.
- Logistics was confused but now it's over.

Others

- Employees at head office, Tokyo branch and Kyushu branch work from home at least part of the time.
- No infected person of employees including bases in Japan and overseas.
- Prohibition of overseas business trips, avoidance the three Cs and infection prevention measures such as washing hands and gargles.

FY2021 Financial Forecast 【Consolidated】



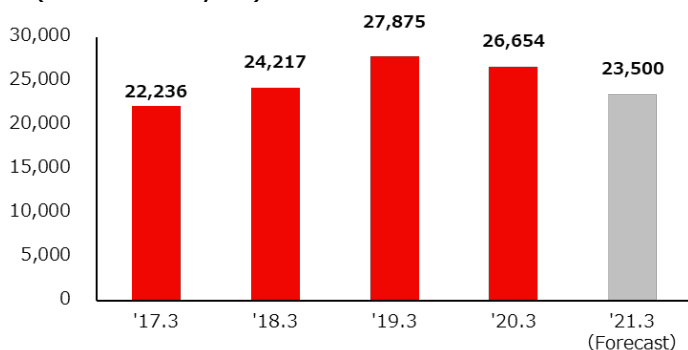
Financial Forecast 【Consolidated】

- Net sales are expected to decrease by 11.8% year-on-year, due to a decline in sales volume to main customers and a drop in sales prices, by mean of the decline in the domestic economy.
 - Ordinary profit is expected to decrease by 25% year-on-year, due to we have not been able to keep up with the decline in sales prices although we will work to reduce raw material purchase prices and fixed costs.
 - If COVID-19 is prolonged, business performance may decline.
- (millions of yen)

	FY 2020	FY 2021 Forecast	Change	
Net Sales	26,654	23,500	▲ 3,154	▲ 11.8%
Operating Profit (Operating Profit Margin)	4,017 (15.1%)	3,000 (12.8%)	▲ 1,017	▲ 25.3%
Ordinary Profit (Ordinary Profit Margin)	4,134 (15.5%)	3,100 (13.2%)	▲ 1,034	▲ 25.0%
Profit attributable to owners of parent (Net Profit Margin)	2,794 (10.5%)	2,150 (9.1%)	▲ 644	▲ 23.1%

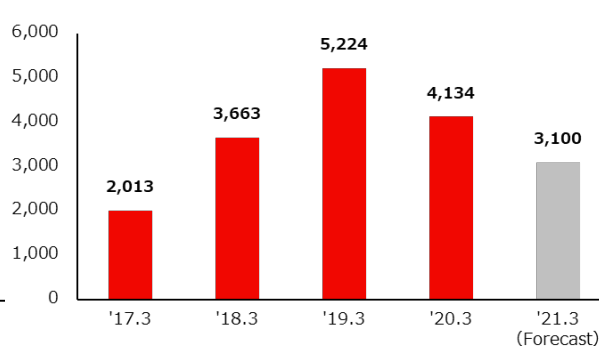
■ Net Sales

(millions of yen)



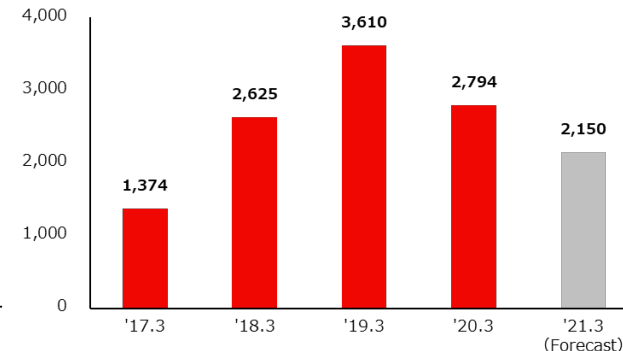
■ Ordinary Profit

(millions of yen)



■ Profit attributable to owners of parent

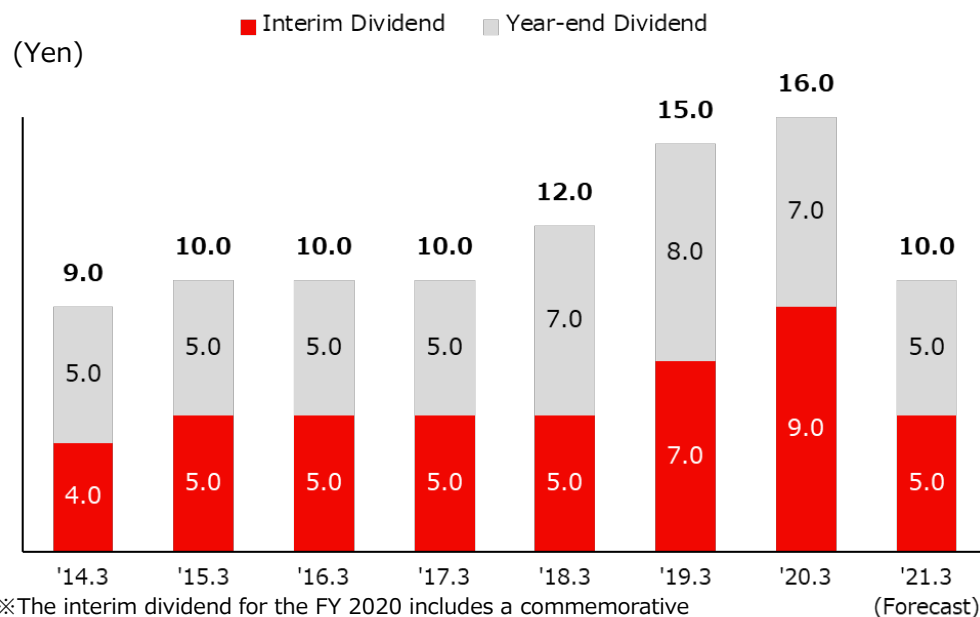
(millions of yen)



- ✓ Improving production efficiency by reorganizing production items between plants.
- ✓ Joint development of cement refractories with customers, leading to actual furnace test, evaluation and sales expansion.
- ✓ Responding to recovery of orders for electronic parts refractories.
- ✓ Development of monolithic refractories in cooperation with the engineering division(construction section).
- ✓ Orders for non-ferrous refractories from overseas.
- ✓ Enhance customer service mobility and strengthen ordering activities by expanding personnel of overseas agents.

Based on the continuation of stable dividends, we will strive to strengthen our corporate financial position and enhance internal reserves while paying dividends according to profits, and strive for solid management.

■ Annual Dividend per Share



■ Notice regarding Resolution of Share Repurchase

1. Purpose of the Share Repurchase

To exercise agile management of capital policy corresponding to any changes of business environment

2. Details of the Share Repurchase

- | | |
|---------------------------------------|-----------------------------------------------------------------------------|
| (1) Class of shares to be repurchased | Common stock of YOTAI |
| (2) Total number of repurchase shares | 220,000 (maximum)
(1.00% of outstanding shares excluding treasury stock) |
| (3) Total repurchase amount | JPY 130,000,000 (maximum) |
| (4) Repurchase period | From March 17,2020 to June 30,2020 |
| (5) Method of repurchase | Market purchase at the Tokyo Stock Exchange |

3. Cumulative total of treasury stock acquired by April

- | | |
|-------------------------------|----------------|
| (1) Number of shares acquired | 22,000shares |
| (2) Value of shares acquired | JPY 13,743,800 |

We will sincerely fulfill our social responsibility and develop together with the local community.

- Donated a total of 20,000 masks to Kaizuka City and Bizen City for COVID-19



- Donation of SHURI Castle Reconstruction Fund



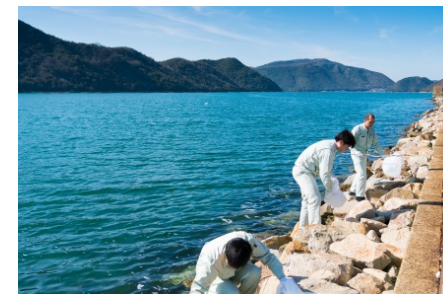
- Donated two table-tennis tables to the ECEC Hinase Bizen City.



- "DEZOMESHIKI" of the Hinase-cho volunteer fire department



- Cleaning Activities



Our Hinase plant helps to clean up national roads in Bizen City and raise awareness for drivers through once-a-year reminders in cooperation with companies in the Toubi area as registered as members of the Traffic Safe Driving Council.

We participate in the New Year's parade of fire department brigades of Hinase-cho Bizen City every February to promote the development of vital communities. In this event, approximately 100 fire brigade members, who are divided into the Minamoto and Taira families under red and white flags, fight a water-discharge battle from boats by releasing water toward the opposing team's members. Finally, five-colored seawater is released toward the sky as a prayer for peace for the coming year.

In addition, we are carrying out various activities to contribute to regional development, such as donating donations for Typhoon Hagibis.

Appendix



Business Locations



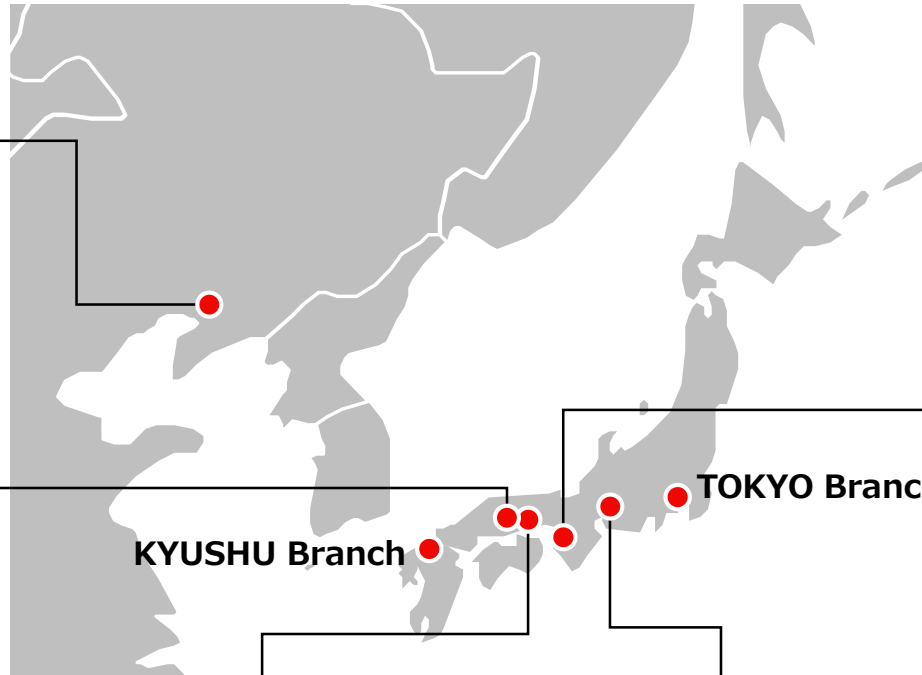
**YINGKOU NEW YOTAI
REFRACTORIES CO., LTD.**
(Liaoning, China)



YOSHINAGA Plant



**The second branch of
Yoshinaga Plant**



**OKAYAMA Branch
HINASE Plant
Technical Research Laboratory
Engineering Division**



**NAGOYA Branch
MIZUNAMI Plant**



Head Office



**KAIZUKA Plant
Advanced Materials
Laboratory**

Classification of refractory

Classification

Among refractories with a wide variety of shapes, such as block and plate. Refractory bricks are used in the various industries including the electronic parts industry, which is a growing field.



Refractory bricks

Brands

Main applications

Spinel	Cement
Magnesia-carbon	Steel
Alumina-magnesia-carbon	Steel
Fire-clay	General purpose
High alumina	General purpose
other	General purpose

Refractory bricks

Powder-type and rammed earth-type Refractories Powder-type products are poured after being mixed with water on-site or sprayed for use. Rammed clay-type products are pressed or patted for use.



Monolithic refractories

Castable	Environmental equipment,
other	steel, general purpose

Monolithic refractories

Disclaimer

Information in this document includes forward looking statements. These forward looking statements do not guarantee the financial performance in the future, and contain risks and uncertainties. Please kindly note that actual results could differ from these forward looking statements.